



## Adding New Microfinance Products to Scale & Increase Impact

Joshua S. Turnbull, the Center for Financial Services Innovation  
Sheri Flanigan-Vazquez, Justine PETERSEN

May 14, 2013



# Go-To-Webinar

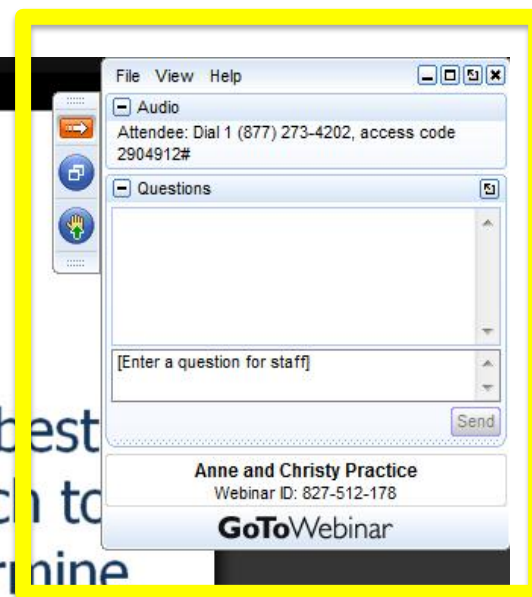
## Scaling Up Microfinance

### GOAL

To enhance Microfinance CDFIs' exposure to best practices in the field as well as tools with which to analyze their own business practices and determine appropriate strategies to scale.

### SUCCESS

Each microfinance organization will identify, and begin to implement, at least one new initiative to facilitate scaling operations.



# CDFI Fund's Capacity Building Initiative

- The Capacity Building Initiative will greatly expand technical assistance and training opportunities for Community Development Financial Institutions (CDFIs) nationwide and significantly boost the ability of CDFIs to deliver financial products and services to underserved communities.
- Industry-wide training will target key issues currently affecting CDFIs and the communities they serve.



# Scaling Up Microfinance Task Order

Expand the capacity of CDFIs that specialize in microfinance through a program focused on decreasing costs, exploring new products, building human capital, and improving business models in order to attract investments.

- 3 Trainings
  - Technical Assistance
  - Virtual Resource Bank



# Presenter



Joshua S. Turnbull,  
Director, Consulting  
The Center for Financial Services Innovation  
[jturnbull@cfsinnovation.com](mailto:jturnbull@cfsinnovation.com)

# Presenter



Sheri Flanigan-Vazquez  
Chief Operating Officer  
Justine PETERSEN

[sflanigan@justinepetersen.org](mailto:sflanigan@justinepetersen.org)



## New Products, New Impact

Joshua S. Turnbull, the Center for Financial Services Innovation  
Sheri Flanigan-Vazquez, Justine PETERSEN

May 14, 2013





# Goals

- Understand the importance of new product development to scaling microfinance
- Present a case study that illustrates how developing new products help microfinance CDFIs grow



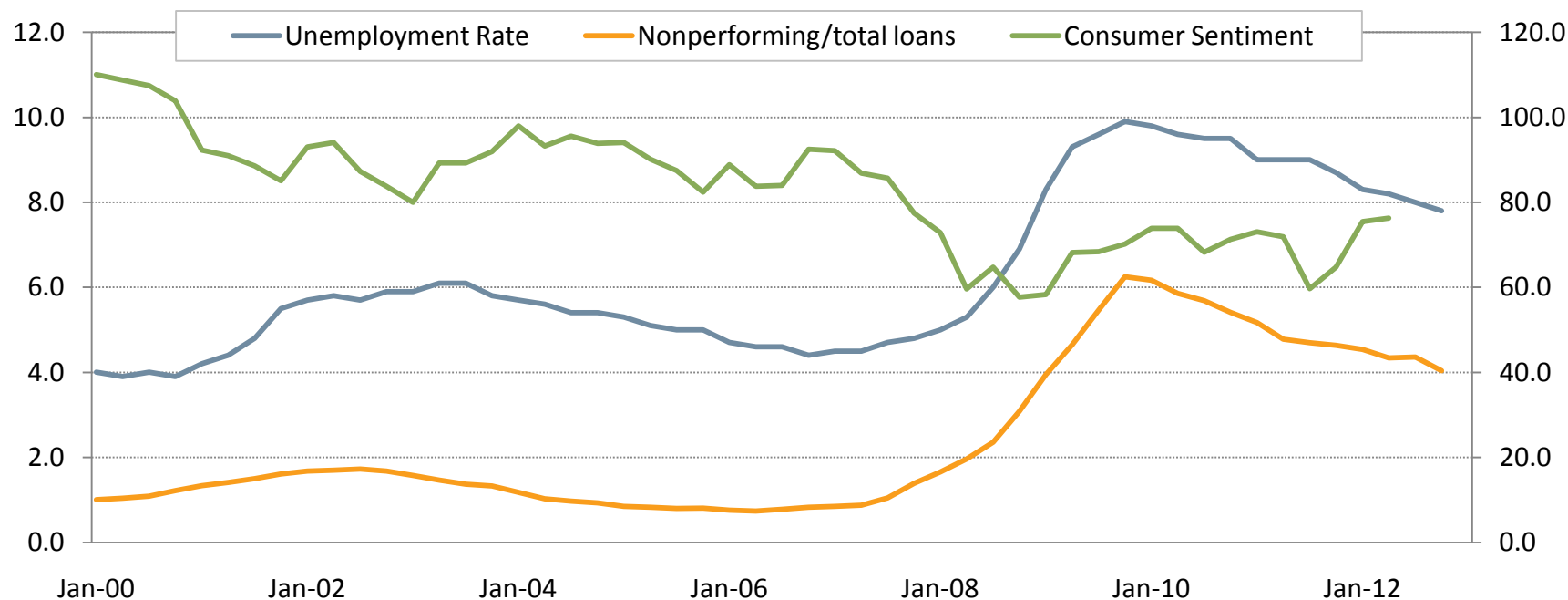


# Agenda

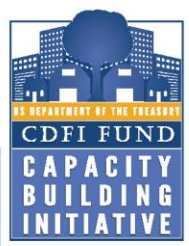
- Why product development is one pathway for scaling microfinance
- Understanding the underserved consumer
- Overview of opportunities for new products
- Case study: Justine PETERSEN



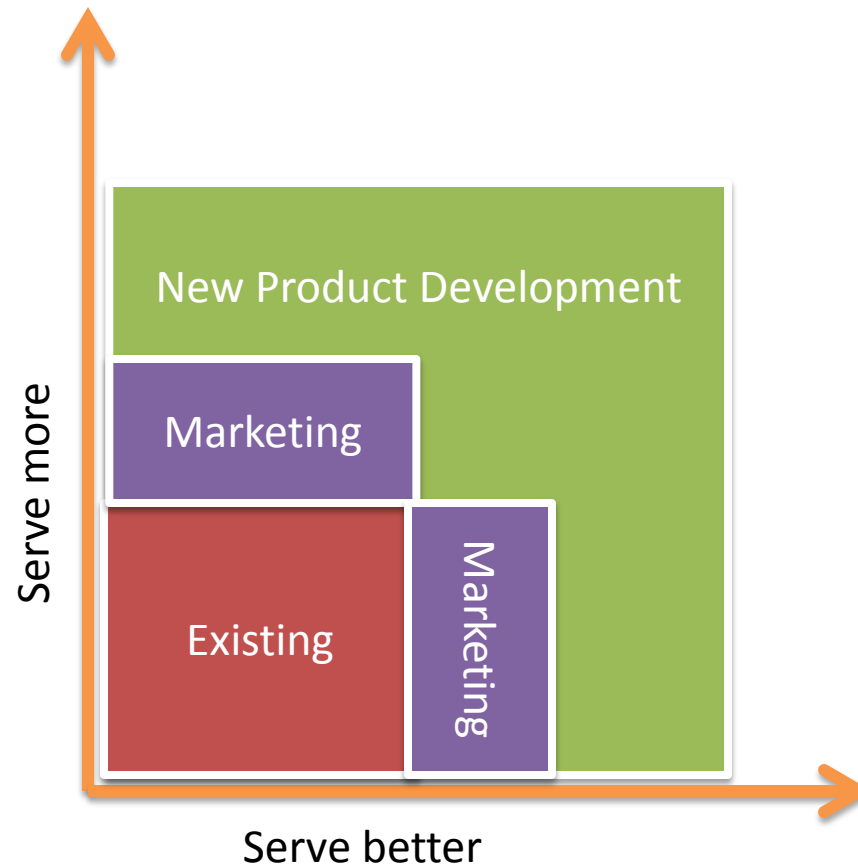
# New Product Development: Why?



Source: U.S. Department of Labor: Bureau of Labor Statistics/Thomson Reuters/University of Michigan/Federal Financial Institutions Examination Council/FRED

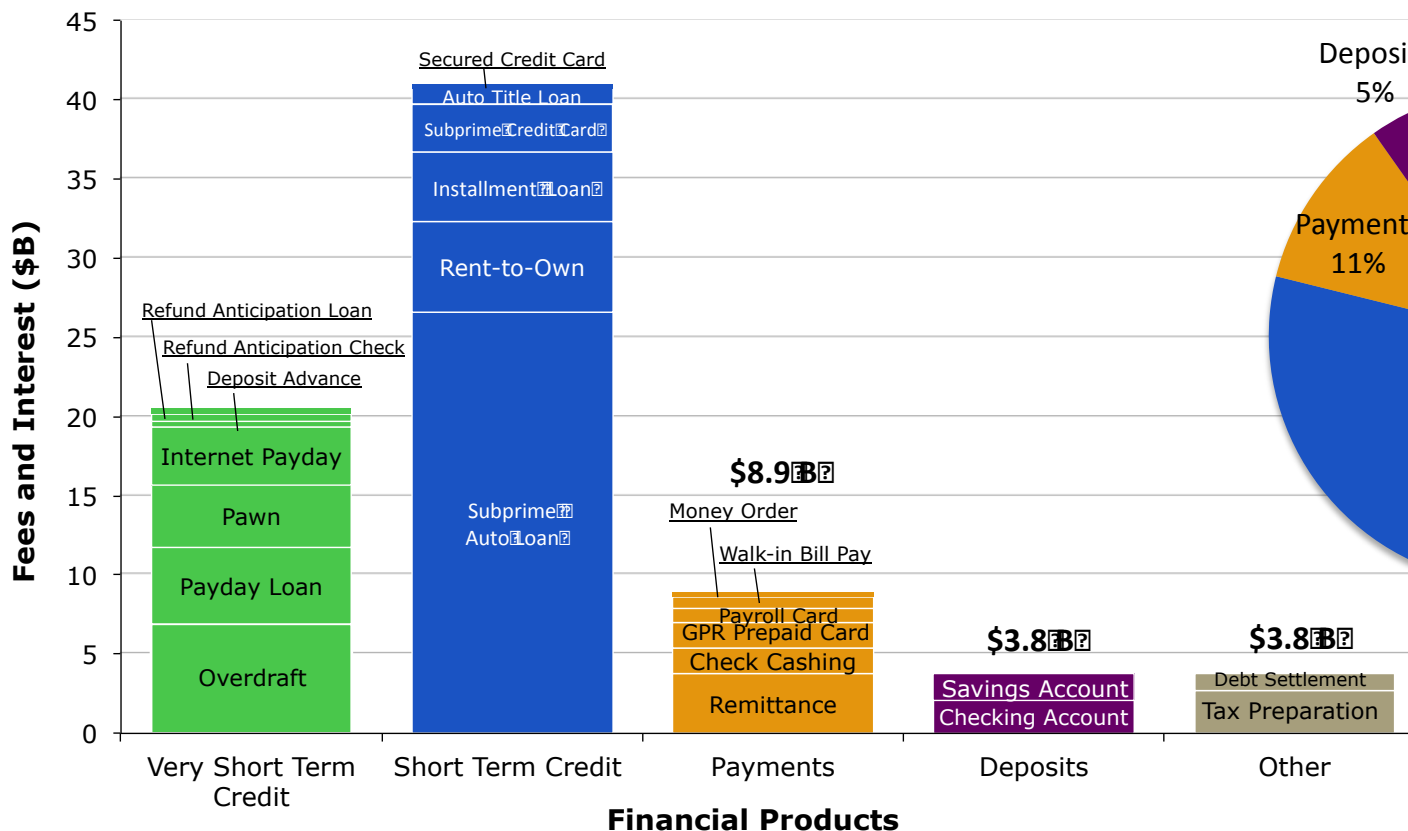


# New Product Development: Why?

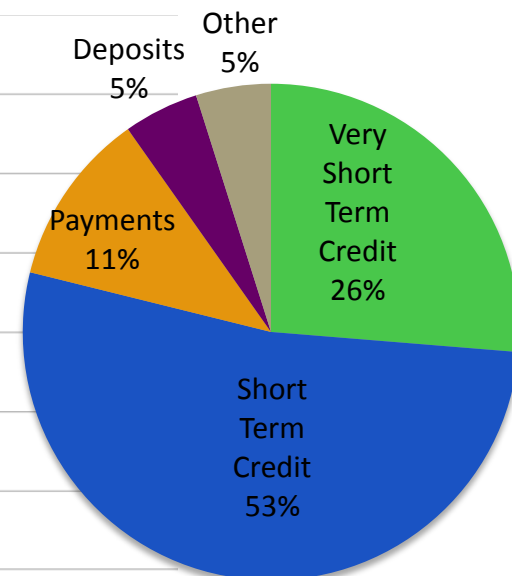


# New Product Development: Why?

2011 Underbanked Market Revenue



Underbanked Market Revenue Share by Product Category

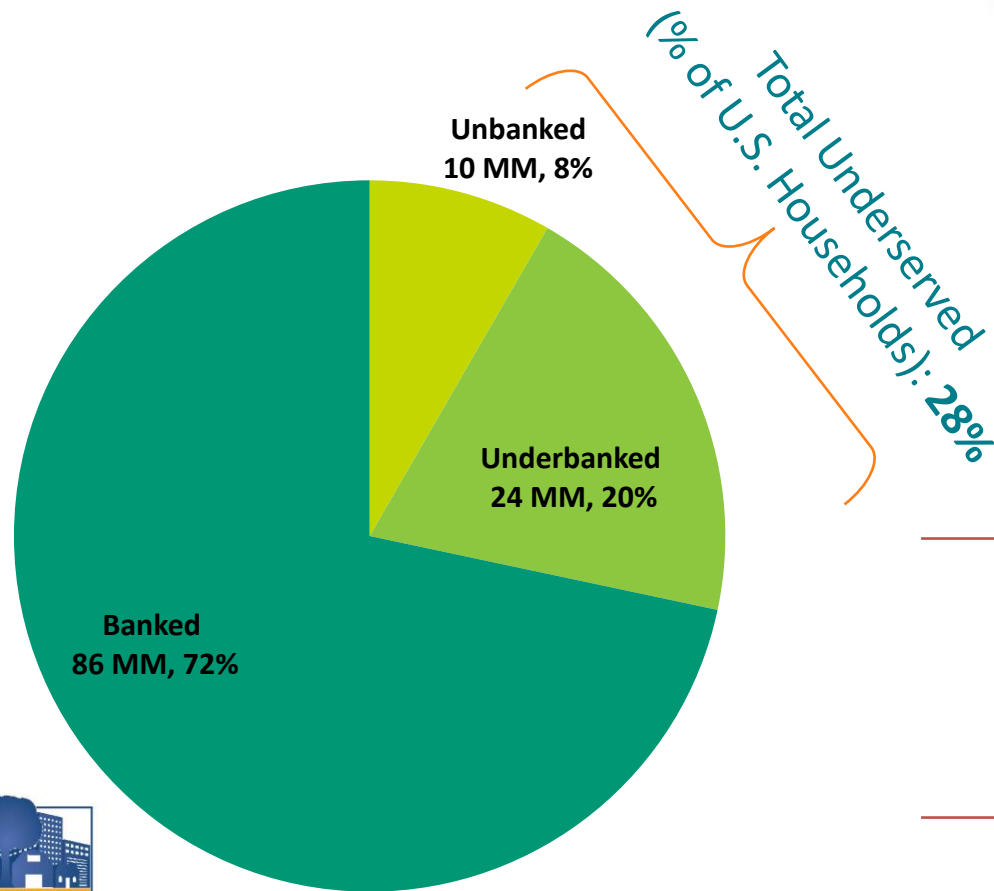




## Underserved Consumers

# Underserved Consumers

Approximately 34 million U.S. households –  
68 million people – are financially underserved.



## Percentage of underserved within ethnic groups

55% Black  
48% Hispanic  
41% American Indians  
20% White  
19% Asian

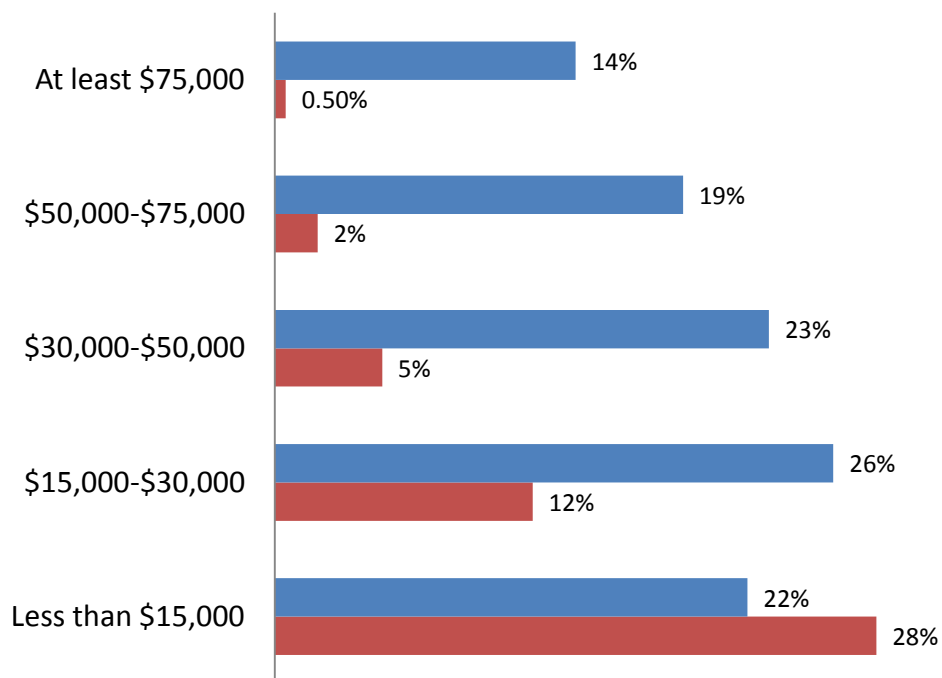


Source: FDIC 2011 Household Survey

# Not Always What We Expect

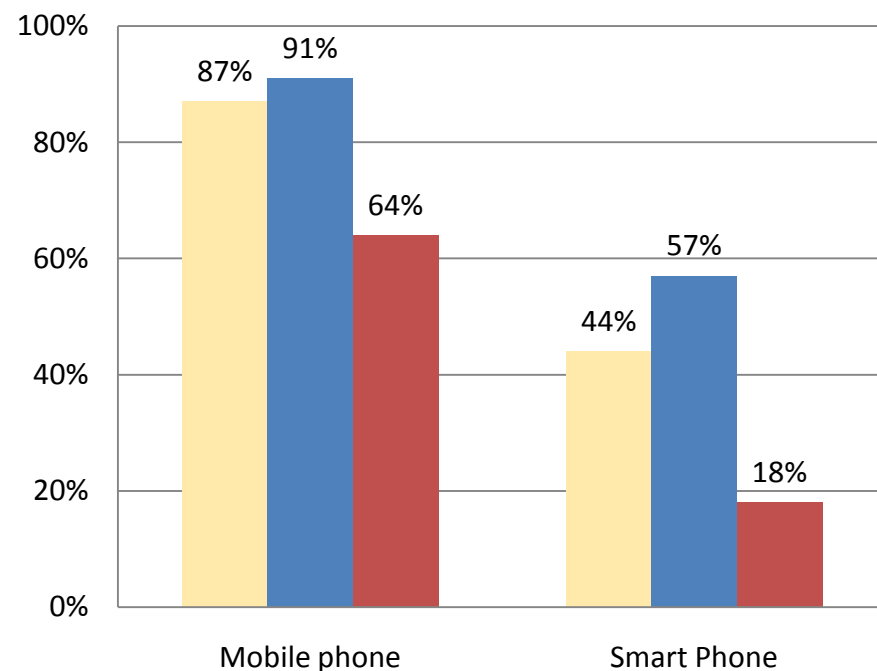
## Underserved Households by Income

■ Underbanked ■ Unbanked



## Mobile and Smart phone users

■ All consumers ■ Underbanked ■ Unbanked





# So What?

Save



Transact



Borrow

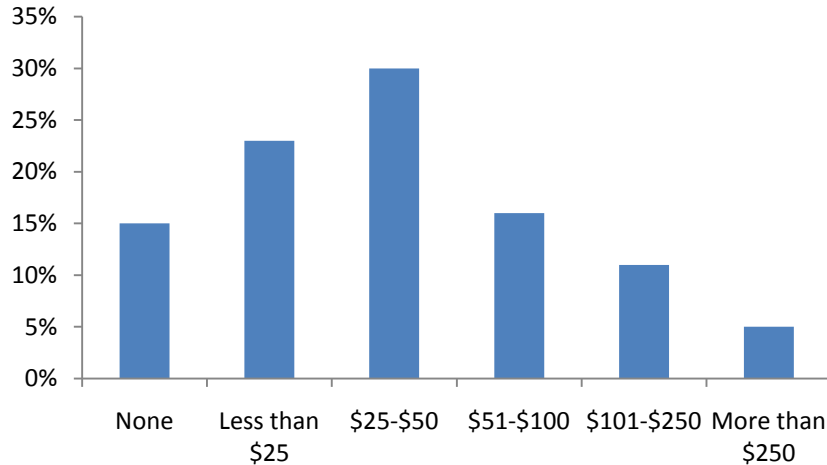


Plan

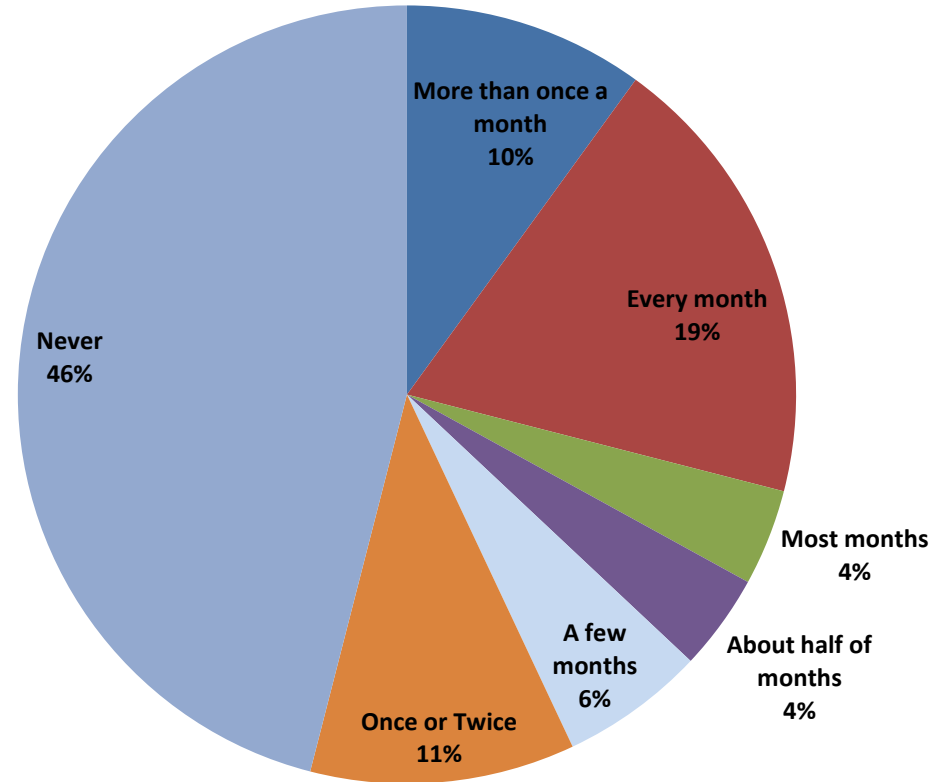


# Save

**How much do households with no emergency savings think they can save each month for emergencies?**



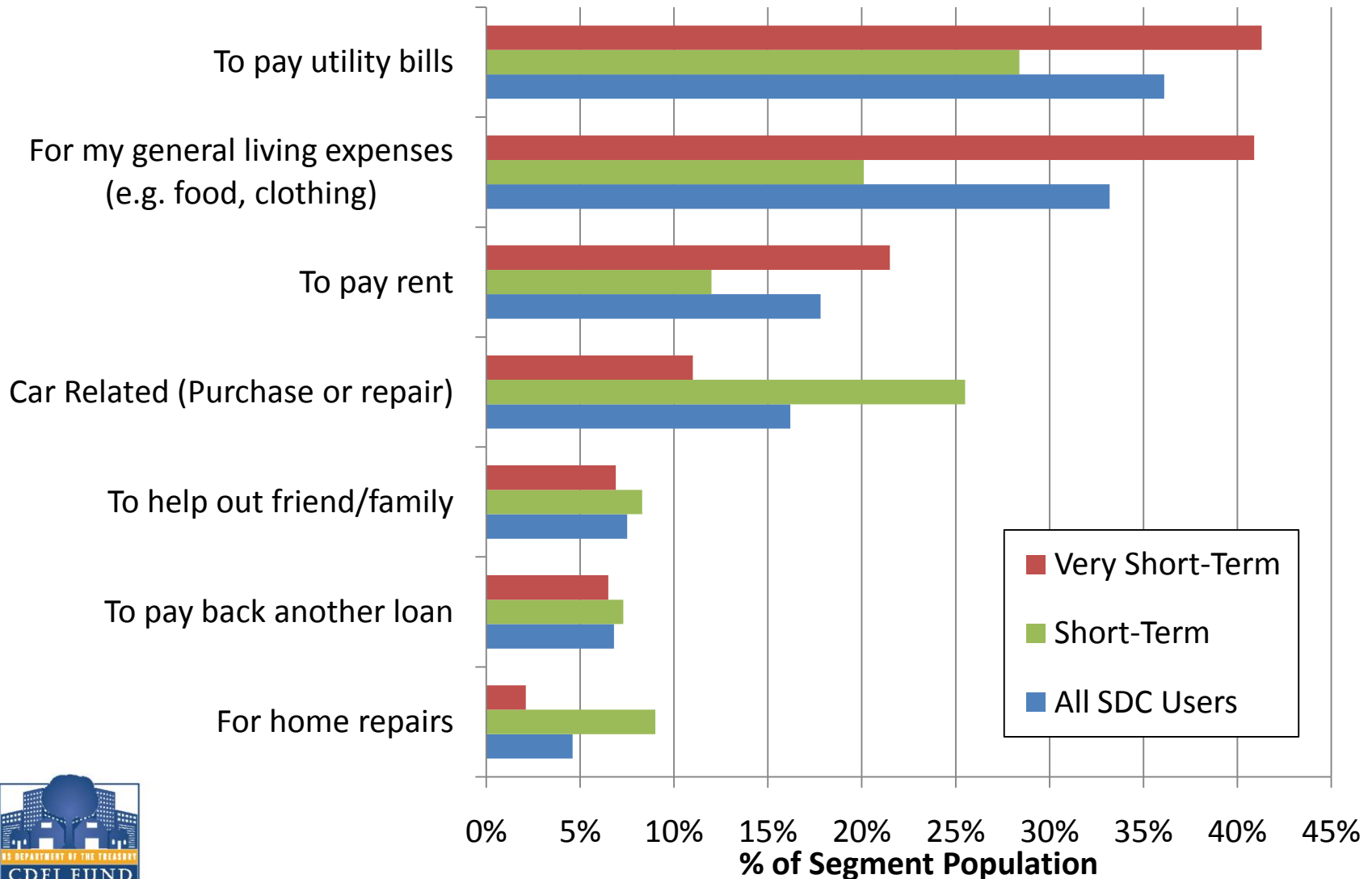
## 2009 Consumer Savings Frequency for LMI individuals



Source: D2D, A Need for Product Innovation to Help LMI Consumer Manage Financial Emergencies, 2012

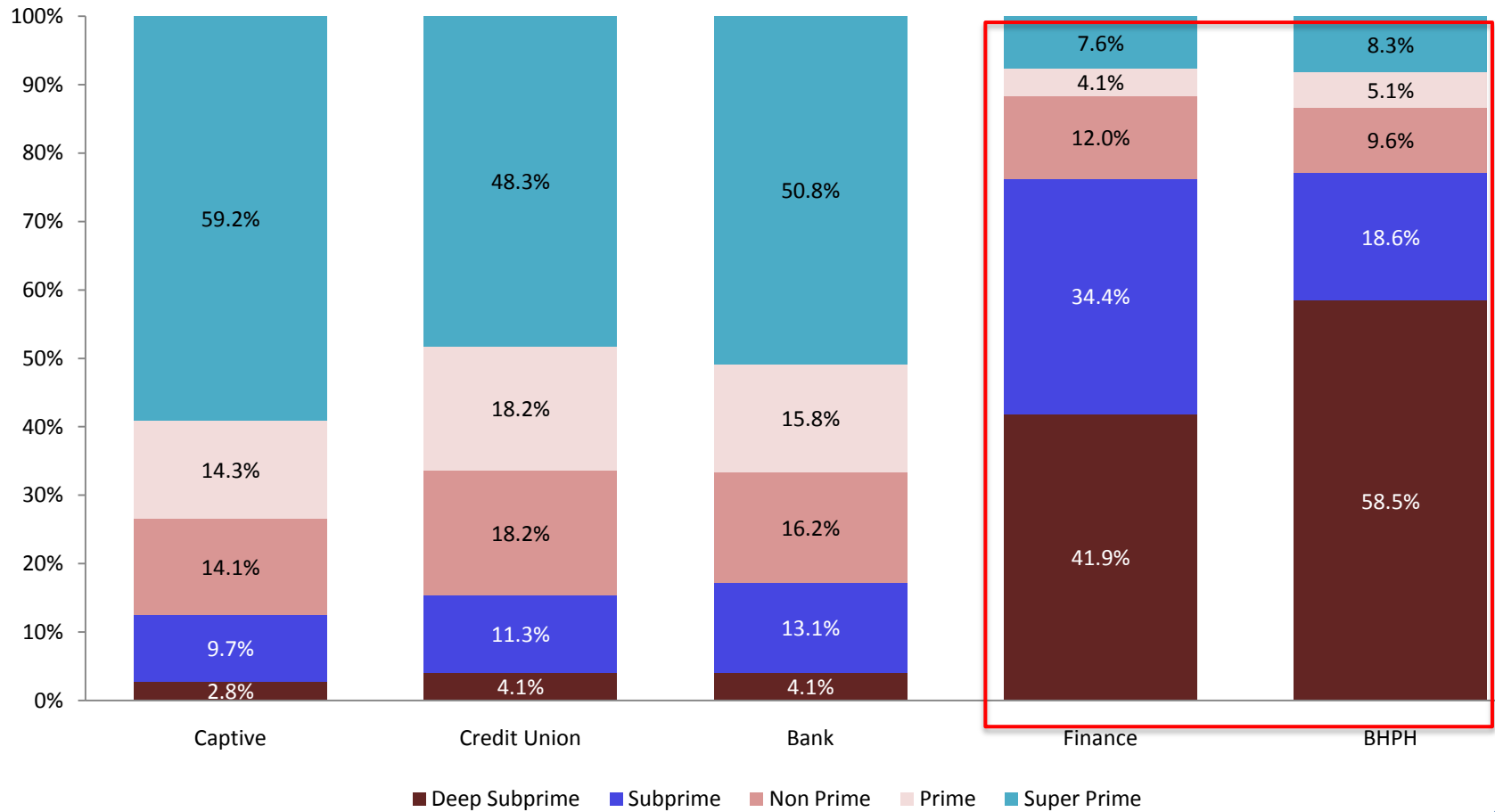
Source: 2011 New America Foundation: Beyond Barriers Designing Attractive Savings Accounts for Lower-Income Consumers

# Borrow



# Borrow

Risk Distribution of Providers



# Scale: Key Points for Consideration

- Core competency
  - What do we do well and how to we capitalize on that?
- Profitability
  - Is this a stand-alone or complementary offering?
- Delivery
  - Do we build and distribute this on our own or through partnership?



# Justine PETERSEN: Consumer Finance Products

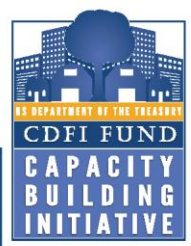


# Justine PETERSEN: Accomplishments

Since 1997:

- One-on-one credit counseled over 20,000 individuals;
- Assisted 4,300 to purchase homes with safe, affordable mortgages;
- Originated \$16 Million to 2,500 micro-entrepreneurs

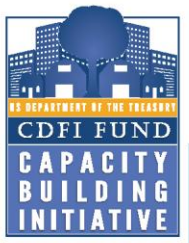
*Our delivery model: One-on-one counseling and ongoing client management*





# Consumer Finance Products

- Credit Building Loan
- LISC Twin Account
- Banamex USA Secured Credit Card



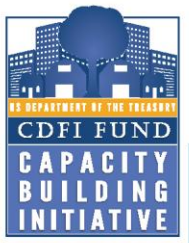
# Are Consumer Products a Good Fit for Microfinance Organizations?

- Know your Client
- Know your Market
- Know your State Regulations
- Know your Organizational Culture
  - Can you dedicate staff resources?
  - Can you scale?



# JP Scale Strategy: Not-for-Profit Distribution

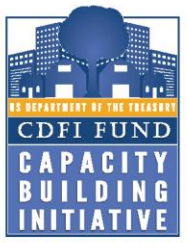
- JP – Citi Microfinance Portal
  - BUSA Secured Credit Card
  - Potential for Other Products
- LISC Twin Accounts
  - LISC Financial Opportunity Centers
  - Licensing of the LISC Twin Account



# Scaling Up Microfinance



## Questions?



# Scaling Up Microfinance



## Additional Resources



# CDFI Fund's Virtual Resource Bank

CDFI Fund - U.S. Treasury x

← → ↻ 🏠 [www.cdfifund.gov/what\\_we\\_do/Scaling\\_Up\\_Microfinance\\_Resource\\_Bank.asp](http://www.cdfifund.gov/what_we_do/Scaling_Up_Microfinance_Resource_Bank.asp)

- WHO WE ARE
- WHAT WE DO
- IMPACT WE MAKE
- NEWS & EVENTS
- HOW TO APPLY



**COMMUNITY DEVELOPMENT  
FINANCIAL INSTITUTIONS FUND**

UNITED STATES DEPARTMENT OF THE TREASURY

**Scaling Up Microfinance Resource Bank**

*The resources for this topic can be found below. To view all of our available Resource Banks, click [here](#).*

**I. Microfinance Landscape and Borrower Experience and Need:**

- 2011 U.S. Microenterprise Census Highlights: FY 2010 Data
  - Author: FIELD at the Aspen Institute
  - Summary: This report presents the survey responses of reporting microfinance institutions, documents trends in the scale and scope of services provided by organizations reporting in both 2008 and 2010, and also presents a more detailed discussion of the estimates of the overall size of the microfinance field.
- Key Data on the Scale of Microlending in the U.S. – February 2011
  - Author: FIELD at the Aspen Institute
  - Summary: This paper uses the data obtained in the FY 2008 U.S. Microenterprise Directory and Census conducted by FIELD to describe the state of microfinance in the United States and to explore the characteristics of large-scale programs, with a view to better understanding the factors that appear associated with their program size.
- Opening Opportunities, Building Ownership: Fulfilling the Promise of Microenterprise in the United States
  - Author: FIELD at the Aspen Institute
  - Summary: This report examines the current state of the microenterprise field, noting both its accomplishments and identifying the challenges that lie ahead, and recommends eight actions that could help transform the field and position it for long-term growth and sustainability.
- Dollars for Dreams: Scaling Microlending in the United States
  - Author: FIELD at the Aspen Institute
  - Summary: This document summarizes the experience and lessons of five grantees of the Scale Academy whose primary focus has been on scaling microlending. Representatives of these organizations have engaged in a year-long peer process exchange in their experience and reflecting on the lessons that emerged.
- Micro Jobs: Fast Facts – Do microenterprises provide employment beyond the business owner?



# Upcoming TA Webinars

- Technology to Improve Performance & Efficiency
  - Joyce Klein, FIELD at The Aspen Institute
  - Tuesday, May 21<sup>st</sup> @ 2pm EDT

**STAY TUNED FOR MORE WEBINARS DURING THE SUMMER!**

**To register, visit the CDFI Fund's Web site or click [here](#).**





# Strengthening Small & Emerging CDFIs

## A CDFI Fund Capacity Building Initiative

- This training and technical assistance program will benefit CDFI loan funds, credit unions, and venture capital funds with assets less than \$25 million that have a strong ambition to serve their target market with greater impact
- CDFIs serving specific regions of persistent poverty that are traditionally underserved by financial institutions, such as Appalachia, the Colonias along the U.S.-Mexico border, and the Mississippi Delta, are especially encouraged to participate



# Strengthening Small & Emerging CDFIs

## A CDFI Fund Capacity Building Initiative

### Five Workshops

- Federal Reserve Bank of Houston | June 19 - 21
- Federal Reserve Bank of Nashville | July 31 - August 2
- Compuware Headquarters in Detroit | August 14 – 16
- Federal Reserve Bank of Los Angeles | September 25 – 27
- Federal Reserve Bank of New Orleans | October 2 - 4

*All workshops provide the same content.*



# Strengthening Small & Emerging CDFIs

## A CDFI Fund Capacity Building Initiative

**To Learn More and to Register:**

Visit [www.opportunityfinance.net/smallandemerging](http://www.opportunityfinance.net/smallandemerging)

or

Contact Tabitha Atkins [tatkins@opportunityfinance.net](mailto:tatkins@opportunityfinance.net)



# Contact Information

Pam Porter

Executive Vice President

Strategic Consulting

Opportunity Finance Network

[pporter@opportunityfinance.net](mailto:pporter@opportunityfinance.net)

215-320-4303

Christy Bare

Senior Associate

Strategic Consulting

Opportunity Finance Network

[cbare@opportunityfinance.net](mailto:cbare@opportunityfinance.net)

215-320-4320





## New Products, New Impact

Joshua S. Turnbull, the Center for Financial Services Innovation  
Sheri Flanigan-Vazquez, Justine PETERSEN

May 14, 2013

